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In The
Supreme Court of the United States
October Term, 1987

BONITO BOATS, INC.,

Petitioner,

v.

THUNDER CRAFT BOATS, INC.

Respondent.

BRIEF OF AMICUS CURIAE IN SUPPORT OF PETITIONER

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INTEREST OF IMOS ITALIA AND TORINO INDUSTRIES, LTD.

Torino Industries, Ltd. and Imos Italia, a consortium under Italian law appear as *Amicus Curiae* with the written consent of both parties in this appeal, given in letters which have been filed with the Clerk of this Court.

Torino Industries and Imos Italia appear because of their conviction that the decision of the Florida Supreme Court has deprived the petitioner of a valuable remedy as a valid exercise of the state's power by existing U.S. Supreme Court and other cases, including one in which they had a direct interest. In addition, Torino Industries, Ltd. and Imos Italia believe it in the best business interests of companies involved in the

American free enterprise system to operate without misappropriation of their property as had occurred but was appropriately rectified by the Court of Appeals for the Federal Circuit in *Interpart* v. *Imos Italia, and Torino Industries, Ltd.*, 777 F. 2d 678 (Fed. Cir. 1985).

SUMMARY OF ARGUMENT

Section 559.94 of Florida Laws which prohibits copying of an original manufacturer's product by a direct molding process has been held unconstitutional by the Florida Supreme Court in direct conflict with a decision of the Court of Appeals for the Federal Circuit holding constitutionally valid a California statute of similar language. In holding the Florida direct molding statute unconstitutional the Florida Supreme Court failed to comprehend prior federal and state case decisions prohibiting unscrupulous copying which occurs when a competitior gains an unjust business advantage over the original manufacturer by using the original manufacturer's product as a mold to replicate exact duplicates thus saving the costs necessary for research, development and marketing of the original product to the disadvantage of the more innovative business manufacturer.

ARGUMENT

I. IN HOLDING THE STATE DIRECT MOLDING STATUTE UNCONSTITUTIONAL, THE FLORIDA SUPREME COURT MISAPPLIED THE *SEARS* AND *COMPCO* CASE DOCTRINE AND FAILED TO RECOGNIZE CASE DECISIONS WHICH PROTECTED UNPATENTABLE AND NONPATENTED PRODUCTS AGAINST IMPROPER COPYING.

In a 4-3 decision, the Florida Supreme Court held in *Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 515 So. 2d 220 (1987) that state's direct molding statute unconstitutional on the basis the law was an impermissible intrusion into an area preempted by Congress and violated the doctrine announced by this Court in *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225, 84 S. Ct. 784, 11 L. Ed. 2d 661, (1964) and *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234, 84 S. Ct. 779, 11 L. Ed. 2d 669, (1964). The statute in question prohibits the use of an original manufacturer's product as a "plug" to make a mold to create a replica of the original item.[1]

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[1] Sec. 559.94, Fla. Stat. (1985):
(1) As used in this section, the term:
(a) 'Direct molding process' means direct molding process in which the original manufactured hull or component part of a vessel is itself used as a plug for the making of the mold, which mold is then used to manufacture a duplicate item.
. . . .
(2) It is unlawful for any person to use the direct molding process to duplicate for the purpose of sale any manufactured vessel hull or component part of a vessel made by another without the written permission of that other person.
(3) It is unlawful for any person to knowingly sell a vessel hull or component part of a vessel duplicated in violation of subsection (2).
(4) Any person who suffers injury or damage as a result of a violation of the provisions of this section may bring an action in circuit court for an injunction prohibiting such violations . . . ."

In reaching its conclusion, the Florida Supreme Court misapplied the *Sears-Compco* doctrine and failed to recognize that the identical interests sought to be protected by the Florida act had been upheld in light of a *Sears-Compco* challenge by the Federal Circuit Court of Appeals in *Interpart Corporation* v. *Imos Italia*, 777 F. 2d 678 (Fed. Cir. 1985) involving an almost indentical California statute.[2] Moreover, the court failed to recognize that similar statutes prohibiting the theft of trade secrets and decisions upholding the validity of laws prohibiting "piracy" have been consistently upheld since *Sears* and *Compco*.

In *Sears*, this court held "an unpatentable article, like an article on which the patent has expired, is in the public domain and may be made and sold by whoever chooses to do so. What Sears did was to copy Stiffel's design and to sell lamps almost identical to those sold by Stiffel. This is had every right to do under the federal patent laws." 376 U.S. 225-226. Similarly, this court stated in *Compco*, " . . . when an article is unprotected by a patent or a copyright, state law may not forbid others to copy that article. To forbid copying would interfere with the federal policy, found in Art. I, Sec. 8, cl. 8, of the Constitution and in the implementing of federal statutes, of allowing free access to copy whatever the federal and copyright laws leave in the public domain. " 376 U.S. at 237-38. The Florida Supreme Court, in upholding the lower court's decisions striking down the statute, adopted the argument of Thunder Craft Boats, Inc., that the act was an attempt by the legislature to interfere with a competitor's admitted right to copy the unpatented products of Bonito Boats thereby violating the doctrine announced in *Sears* and *Compco*. The fallacy of the court's reasoning is that the Florida direct molding statute does

[2] California Business and Professions Code, Section 17300(a) (West Supp. 1985). The California anti-direct molding statute is significantly broader than Sec. 559.94. It forbids direct molding ". . . of any manufactured item" whereas the Florida statute applies only to hulls and components of vessels.

not purport to restrict copying of an unpatented product but instead seeks to protect the property of the original manufacturer created in developing the original mold. Correctly viewed as a statute designed to prohibit the unfair competitive advantage of "splashing"[3] a competitor's product, the act is easily reconciled whith *Sears* and *Compco*. In addition, the direct molding statute does no more than codify protection against a particular activity reasonably classified by the legislature as unfair competition. The protection against misappropriation of the value of another's labor has been uniformly accepted by this Court both before and after *Sears* and *Compco*.

As early as 1918, this Court refused to adopt the position that since news was not subject to U.S. copyright laws it was in the public domain and could be used for any purpose. In *International News Service* v. *Associated Press*, 248 U.S. 215 (1918) this court held:

> "The right of the purchaser of a single newspaper to spread knowledge of its contents gratuitously, for any legitimate purpose not unreasonably interfering with complainant's right to make merchandise of it, may be admitted; but to transmit that news for commercial use, in competition with complainant - which is what defendant has done and seeks to

[3] "Splashing" is a term of art that is used in the fiberglas manufacturing industry to denote a process of replication that relies on a finished product as the basis for creating a duplicate mold from which exact copies of the original finished product can be made. To "splash" a product, fiberglas or other similar material is layered over the original and built-up to the point where a structurally sound "impression" of the finished article has been created. Later, the "splash" is removed and in fact becomes a mold from which exact copies of the original can be made. This process is extremely fast, inexpensive, and insidiously accurate. It allows the duplicator to acquire even the most complex and intricate designs at a fraction of the cost to develop the original mold.

justify — is a very different matter. In doing this, *defendant, by its very act, admits that it is taking material that has been acquired by complainant as the result of organization and the expenditure of labor, skill, and money* and which is salable by complainant for money, *and that defendant, in appropriating it and selling it as its own, is endeavoring to reap where it has not sown,* and by disposing of it to newspapers that are competitiors of complainant's members is appropriating to itself the harvest of those who have sown. Stripped of all disguises, the process amounts to an unauthorized interference with the normal operation of complainant's legitimate business precisely at the point where the profit is to be reaped, in order to divert a material portion of the profit from those who have earned it to those who have not, with special advantage to defendant and the competition because of the fact that it is not burdened by any part of the expenses by gathering the news. The transaction speaks for itself, and a court of equity ought not to hesitate long in characterizing it as unfair competition in business." (248 U.S. 215 at 240.) (Emphasis added).

Neither the language nor the reasoning of the *International News* case was disturbed or for that matter even mentioned in either *Sears* or *Compco.* Subsequent decisions of this Court have likewise upheld restrictions on the *conduct* of one who seeks to profit from the labor of others and have held that state laws designed to prohibit unfair competition are valid and enforceable.

In *Kewanee Oil Co.* v. *Bicron Corp.*, 416 U.S. 470, 94 S. Ct. 1879, 40 L. Ed 2d 315 (1974) the Court upheld a state trade secret law recognizing that such a law protected items which would not otherwise be patentable. In considering whether the

trade secret law was preempted by federal patent law, this court compared the objectives of both the federal patent laws and state laws and concluded that abolishing trade secret laws would not further the objectives of patent law in that patent laws do not require that states " [r]efrain from action to prevent industrial espionage ". Further, that trade secret laws had a value of their own which would "prompt the independent innovator to proceed with the discovery and exploitation of his invention." 416 U.S. 470 at 487. In perhaps echoing its concern with the opprobrious conduct categorized as "piracy" in *International News Service* v. *Associated Press,* this court further stated in *Kewanee:*

> "Trade secret law provides far weaker protection in many respects than the patent law. While trade secret law does not forbid the discovery of the trade secret *by fair and honest means, e.g.,* independent creation or reverse engineering, patent law operates ' against the world, ' forbidding any use of the invention for whatever purpose for a significant length of time. " (416 U.S. 470 at 484). (Emphasis supplied).

A California statute prohibiting tape piracy survived a *Sears-Compco* challenge in *Goldstein* v. *California,* 412 U.S. 546, 93 S. Ct. 2303, 37 L. Ed. 2d 163, (1973). In *Goldstein,* the Court upheld the constitutionality of California's statute prohibiting copying under the concept that a state has a right to regulate against unfair competition. In determining that California's tape piracy statute was not preempted by federal law under the doctrine of *Sears-Compco* in that the state statute prohibited one method of recording but did not otherwise prohibit or withdraw material from the public domain, this court held:

> " No restraint has been placed on the use of an idea or concept; rather, petitioners and other individuals remain free to record the same compositions in precisely the same manner and

> with the same personnel as appeared on the original recording." 412 U.S. 546 at 571.

The Court in *Goldstein* touched again on the cornerstone of *Sears* and *Compco* that the Florida Supreme Court has overlooked. The patent laws seek to protect ideas and concepts by removing them from the public domain. The statute struck down in *Sears* likewise operated to bar others from copying the idea and concept of the lamp designed by Stiffel. Here, the Florida legislature has done nothing to restrict the copying of the product designed by Bonito Boats, Inc., but has simply determined that the act of duplicating an original mold through the process of direct molding is an act of unfair competition no different than pirating the recorded work of another prohibited in *Goldstein*.

In *Aronson* v. *Quick Point Pencil Co.*, 440 U.S. 257, 99 S. Ct. 1096, 59 L. Ed. 2d 296 (1979), a contract to pay royalties for the right to sell an article which was unpatentable was upheld. This Supreme Court enforced the contract under a state law holding that the state law was not inconsistent with the objectives of the patent laws. The Court noted that enforcement of the contract did not conflict with the patent laws because anyone could copy the article, the only restriction being on the right to sell the product manufactured by Quick Point. Returning again to the thrust of *Sears* and *Compco*, the Court stated:

> "[A] state may not forbid the copying of an idea in the public domain which does not meet the requirements for federal patent protection." 440 U.S. 257 at 264.

The Florida direct molding statute does not prohibit the copying of an unpatented article. In this respect it follows the *Sears-Compco* doctrine. However, as stated in *International News*, *Goldstein*, *Kewanee*, and *Aronson*, where the method of copying infringes on a valid business interest, a form of misappropriation occurs. The "missappropriation of a business interest" found in *International News* was the "piracy" by way of interrupting a channel of communication of a product that was not copyrighted, that is, the *method* of copying was legally unacceptable. In *Kewanee*, the acquisition by "insiders" of a trade secret prohibited the copying of an unpatented product, that is the exposure of the trade secret allowing subsequent copying was prohibited, not the copying. And again, in *Aronson* this court held that enforcement of a contract which prohibited the sale of an unpatentable product did not conflict with the patent laws because anyone could copy the article. Similarly, the direct molding statute of Florida does not prohibit the copying of a competitor's product but prevents only an opprobrious *method* of copying that the legislature has determined should not be legally tolerated.

II. THE FLORIDA SUPREME COURT, IN STRIKING DOWN THE DIRECT MOLDING STATUTE, FAILED TO FOLLOW A HIGHLY PERSUASIVE PRECEDENT ESTABLISHED BY THE FEDERAL CIRCUIT IN A CASE UPHOLDING AN ALMOST IDENTICAL STATUTE.

The United States Court of Appeals for the Federal Circuit upheld a state anti-direct molding statute very similar to the statute held unconstitutional by the Florida Supreme Court. In *Interpart Corp.* v. *Imos Italia, Torino Industries, Ltd., and Vitaloni, S.p.A.*, 777 F. 2d 678 (Fed. Cir. 1985), the Court of Appeals for the Federal Circuit held a 1978 California direct molding state constitutional and not preempted by the federal patent laws. The court correctly held that the California direct molding statute proscribed only the use of a competitor's product as a mold and not a restriction on copying the product itself. The California statute, as the Florida statute, did not proscribe the copying of an unpatentable or non-patented product but merely looked at and prevented the unscrupulous conduct of obtaining a competitor's product to use as a mold for the mak-

ing of an exact duplicate thereof.[4] In finding that the California statute was not preempted by the federal patent laws, the court stated:

> "The statute prevents unscrupulous competitors from obtaining a product and using it as a "plug" for making a mold. The statute does not prohibit copying the design of the product in any other way; the latter, if in the public domain, is free for anyone to make, use, or sell.
>
> Moreover, as a predecessor of this court once stated, the patent laws "say nothing about the right to copy or the right to use, they speak only in terms of the right to exclude." *Mine Safety Appliances* v. *Electric Storage Battery*, 405 F. 2d 901, 902 n. 2, 160 U.S.P.Q. 413, 414 n. 2 (CCPA 1969). The California law does not "clash" with the federal patent law; the two laws have different objectives. Absent an existing patent right, we see nothing in the federal patent statutes that conflicts with California's desire to prevent a particular type of competition which it considers unfair. The California statute

[4] In *Interpart* v. *Imos Italia, et al.*, counter-plaintiff, Imos Italia, Torino Industries, Ltd. and Vitaloni S.p.A.'s theory of the case was that Imos Italia expended over $500,000.00 to develop a line of six different styled mirrors marketed and sold in the United States. Interpart admitted that it intentionally copied Imos Italia's line because the mirrors were superior and had a high market profile compared to other similar products. Interpart duplicated the Imos/Torino line by contracting with a foreign company which obtained the entire product line, shipped the mirrors to Taiwan for copying by the direct molding process and completed the contract by replicating the line of mirrors from the molds developed utilizing the plug molding process and shipped the completed replicated goods back to the U.S. for sale in the retail market. By utilizing the direct molding process Interpart realized substantial savings and a distinct pricing advantage by avoiding the ordinary costs of designing, tooling and marketing a new product.

> is not preempted by federal law, contrary to the district court's conclusion." (777 F. 2d 678 at 684-685.)

In distinguishing *Sears* and *Compco*, the Court stated:

> "Whether California's plug molding statute is preempted by federal law involves a consideration, under Ninth Circuit law, . . . of whether that law 'stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.' *Kewanee Oil Co.* v. *Bicron Corp.*, Id. at 474 . . . . The state law must fail if it 'clashes with the objectives of the federal patent laws.' *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. at 231. Congress granted the power to legislate in the area of patents and copyrights by the Constitution to 'promote the Progress of Science and useful Arts.' The patent law, in order to promote the useful arts, grants to inventors the right, limited in time, to exclude others from making, using, or selling their patented inventions. Id. at 684.

The Court then differentiated Section 17300 from the patent laws by pointing out:

> "It is clear from the face of the statute that it does not give the creator of the product the right to exclude others from making, using, or selling the product as does the patent law. The statute does not preclude one from photographing, measuring, or in any way re-utilizing the concept of the design of the product. It does not preclude copying the product by hand, by using sophisticated machinery, or by any method other than the direct molding process. This is clear from a review of the record

> which includes such material bearing on the constitutionality of the statute." Id. at 684.

The particular type of competition which the California Legislature deemed unfair was the method utilized by a competitor to obtain a superior market position over the original manufacturer, severely eroding those vital business intangible assets of ingenuity, innovation and research. Indeed, the taking from a manufacturer of its "mold" to use as your own without the expenses of research, development, design, modeling, tooling and die making, and other expenses incurred in the marketing for public acceptance of a new product with the other costs involved in selling the product, is an unethical business practice allowng an unfair and legally undeserved advantage to the second-comer producer. The direct molding statute under scrutiny in *Interpart*, like the statute in the case at bar, merely recognizes that certain *methods* of copying amount to misappropriation of the fruits of another's labor which may be prohibited as acts of unfair competition.

The concept of prohibiting the misappropriation of the work of another is not novel to state statutes adopted to prevent the direct molding process of copying. In a decision prior to the enactment of Sec. 17300 of the California Business and Professions Code a Federal District Court in the Ninth Circuit held in *Grove Press, Inc.* v. *Collectors Publication, Inc.*, 264 F. So. 603, 152 USPQ 787 (CD CAL 1967) that the plaintiff was entitled to a preliminary injunction against a defendant who reproduced plaintiff's published version of a rare book by means of an offset lithography process which involved photographing the pages of plaintiff's uncopyrightable book and using the photographs in compiling defendant's book even though the contents of plaintiff's book were in the public domain. In granting the preliminary injunction, the court stated that the defendant's method of copying plaintiff's materials "involves photographing the pages of the Grove edition and using the said photographs for the reproduction of volumes in book form .... [by] use of such photographs of the Grove

edition Defendants saved the cost of typesetting and can print and sell their books, which are photographic copies of Plaintiff's books, at substantially less than it would cost if Defendants were to set type themselves." 264 F. Supp. 603 at 605. By photographing plaintiff's books' contents the defendant saved $26,000.00 in typesetting expenses. In reaching its decision, the court distinguished the *Sears* and *Compco* cases stating:

> "The words in an uncopyrightable book are in the public domain and may be copied by anyone without infringing any copyright. Such copying, alone, does not constitute unfair competition. *Sears, Roebuck & Co.*, v. *Stiffel*, . . .; *Compco Corp.* v. *Day-Brite Lighting, Inc.*, . . . Unfair appropriation of the property of a competitor is unfair competition and redressable in a situation of this kind despite the holdings in *Sears* . . . . and *Compco Corp.* . . . ." 264 F. Supp. 603 at 606.

The Court then continued in its reasoning:

> "Defendants' first edition is more than mere copying of Plaintiff's work, the Grove edition. In view of Plaintiff's expenditure of substantial sums in setting type and engraving plates, it would constitute unfair competition for Defendants to appropriate the value and benefit of such expenditure to themselves by photographing and reproducing Plaintiff's book through the offset-lithography process, thereby cutting their own costs and obtaining an unfair competitive advantage. See *International News Service* v. *Associated Press*, ..." 264 F. Supp. 603, 606-607.

Interestingly, the *Grove* decision also involoved a "second edition" published by the same defendant and an exact duplicate of the Grove book. As to the second edition, the

district court held that since the Grove edition is not copyrightable, the defendants were free to copy, " . . . .so long as the method of copying does not constitute unfair competition." 264 F. Supp. 603 at 607. Because the defendants had prepared the second edition for publication by setting their own type instead of using the offset-lithography process, their conduct held not to be unfair competition. [5] Perhaps the Florida Supreme Court as well as the federal appeals court that have had difficulty in this area have missed the important distinction between patent laws and direct molding statutes. While the former obtains its objective through exclusion the latter speaks only to a particular method employed to achieve an admittedly lawful result. In this respect, direct molding statutes are correctly analyzed like trade secret laws and other similar prohibitions against unfair competition which have long been held not to "clash" with the patent laws or run afoul of the *Sears-Compco* doctrine. The Florida direct molding statute, like the California act upheld in *Inter[illegible]*, does not dictate *what* products a competitor can make [illegible]y *how* it can go about it.

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[5] The decision in *Grove Press*, although published some fifteen years later, was contrary to the previously considered leading opinion on the subject set forth by Judge Learned Hand in *G. Ricordi & Co.* v. *Hoendler*, 194 F. 2d 914, 92 USPQ 240 (CA 2 1952). However, rather than attempting to reconcile the two opinions and commenting on this area of law, a highly respected treatise on the law of unfair competition succinctly observed:

> "The *Imos* decision, when read together with the *Grove Press* case, may be enough to suggest that Judge Learned Hand's preemption ruling in *Ricordi* case is wrong after all." *Callman, Unfair Competition, Trademarks and Monopolies*, 4th Ed., in Section 15.10.50 at p. 66.

III. THE DESIRE OF A STATE TO PROVIDE A MARKETPLACE FOR COMPETITION ON A FAIR AND EQUAL BASIS AND TO PROVIDE AN INCENTIVE FOR NEW PRODUCT DEVELOPMENT BY PROTECTING A DEVELOPER'S INVESTMENT IN A NEW PRODUCT IS A PROPER EXERCISE OF THE POWER OF THE STATE TO REGULATE UNFAIR COMPETITION.

The need for economic incentive in business product development was recognized by this court in *Zacchini* v. *Scripps-Howard Broadcasting Co.*, 433 U.S. 562 97 S. Ct. 2849, 53 L. Ed. 2d 965, (1976). In *Zacchini*, plaintiff's 15 second "human cannonball" act, in which he was shot from a cannon into a net some 200 feet away, was, without his consent, videotaped in its entirety at an Ohio County Fair by a reporter for the Scripps-Howard Broadcasting Co. and shown on a television news program later the same day. Plaintiff brought a damage action in state court alleging that the defendant unlawfully appropriated his "professional property". The Ohio Supreme Court, relying on *Time, Inc.* v. *Hill.*, 385 U.S. 374, held for the respondent on the ground that there is a constitutional privilege to include in newscasts matters of public interest that would otherwise be protected by the right of publicity, absent an intent to injure or appropriate for some non-privileged purpose. This Court reversed the Ohio Supreme Court's decision holding that the First and Fourteenth Amendments to not immunize the news media when they broadcast a performer's entire act without his consent. The Court also stated that the broadcast of a film of plaintiff's entire act poses a substantial threat to the economic value of that performance since if the public can see that act free on television it will be less willing to pay to see it at the fair and the news broadcast goes to the heart of plaintiff's ability to earn a living as an entertainer. This Court stated:

> The broadcast of a film of petitioner's entire act

poses a substantial threat to the economic value of that performance. As the Ohio Court recognized, this act is the product of petitioner's own talents and energy, the end result of much time, effort, and expense. Much of its economic value lies in the 'right of exclusive control over the publicity given to his performance'; if the public can see the act free on television, it will be less willing to pay to see it at the fair. The effect of a public broadcast of the performance is similar to preventing petitioner from charging an admission fee. ' The rationale for [protecting the right of publicity] is the straight forward one of preventing unjust enrichment by the theft of good will. No social purpose is served by having the defendant get free some aspect of the plaintiff that would have market value and for which he would have market value and for which he would normally pay.' Kalven, Privacy in Tort Law—Were Warren and Brandeis Wrong?, 31 Law and Contemp. Prob. 326, 331 (1966). Moreover, the broadcast of petitioner's entire performance, unlike the unauthorized use of another's name for purposes of trade or the incidental use of a name or picture by the press, goes to the heart of petitioner's ability to earn a living as an entertainer. Thus, in this case, Ohio has recognized what may be the strongest case for a 'right of publicity'—involving, not the appropriation of an entertainer's reputation to enhance the attractiveness of a commercial product, but the appropriation of the very activity by which the entertainer acquired his reputation in the first place." 433 U.S. 562 at 576.

The Court continued:

"Of course, Ohio's decision to protect petitioner's right of publicity here rests on more than a desire to compensate the performer for the time and effort invested in his act; the protection provides an economic incentive for him to make the investment required to produce a performance of interest to the public. This same consideration underlies the patent and copyright laws long enforced by this court. As the court stated in *Mazer* v. *Stein*, 347 U.S. 201, 219 (1954);

> 'The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors "Science and useful Arts." Sacrificial days devoted to such creative activities deserve rewards commensurate with the services rendered.' . . ., Id. at 576.

In *Capitol Records, Inc.* v. *Erickson*, 2 Cal. App. 3d 526, 82 Cal. Rprt. 798 (1969), *cert. denied*, 398 U.S. 960, 90 S. Ct. 2176, 26 L. Ed. 2d 545 (1970) the California Appeal's Court was concerned with the situation where the defendant acquired one of Capitol's records and, directly from the recording itself, produced tape cartridges bearing the same title and a label stating that there was no relationship between the defendant and the original recording company. The plaintiff had expended approximately $25,000.00 in the production of the album in terms of studio time, materials and editing. The trial court granted a preliminary injunction and on appeal the defendant's relied on the *Sears* and *Compco* decisions in attempting to reverse the order entered below. In considering *Sears* and *Compco*, the Appeals' Court stated " . . .*state law, statutory or decisional, may in appropriate circumstances, grant relief where deceptive or fraudulent practices are shown*, such as a palming off

one's goods as those of another . . . It is equally clear that the right of an author or proprietor of an unpublished work to common law protection and the application of state law of unfair competition in that field *remains unaffected by these decisions* or the principles set forth in *these opinions*. . . [a]ctually, what was here done was not to copy some articles or goods made and sold by another but rather *the appropriation* of the very product itself. " (Emphasis supplied) 2 Cal. App. 3d 526 at 535. The court in *Capitol Records, Inc.* quoted *Shesse* v. *Grossman*, 152 Cal. App. 2d 536, stating: "Unfair competition of the valuable efforts of another may be unfair competition. Thus, piracy of news acquired by another fairly and at substantial cost is actionable. " 152 Cal. App. 2d at 536. The Appeal's Court, in *Capitol Records, Inc.* rejected the claimed *Sears* and *Compco* arguments contending ". . .state law, statutory or decisional, may in some circumstances grant relief where deceptive or fraudulent competitive practices are conducted, such as circumstances where one palms off his product as those of his competitor, or where he unfairly appropriates to his profit the valuable efforts of compe'itor. " 2 Cal. App. 3d 526 at 537-538. In stating the underlying reason for its position, the court said:

> "It is reasonable to conclude that permitting such appropriation would discourage invention and free competition . . . and that those engaged in the recording industry would be inclined not to utilize their skill and efforts, and expend large amounts of money, in producing unique recordings, but would wait for a recording to be produced, and then duplicate it and sell it, at maximum profit and with minimum effort and expense. The trial court herein did not error in granting the preliminary injunction." 2 Cal. App. 3d 526 at 538.

The law as developed in this area by the Supreme Court, federal courts, and various state courts universally reason that

unfair appropriation of the valuable efforts of another may well be unfair competition. In the light of *Sears* and *Compco*, it is clear that the concept and design of one's product is not protected against use by another if it is unpatentable or nonpatented. However the appropriation of the product itself as a master, or form, for use as a mold is beyond the doctrine of *Sears* and *Compco* as held by the Court of Appeals for the Federal Circuit in *Interpart* v. *Imos Italia*. The Florida direct molding statute does not attempt to control the copying of an unpatentable or nonpatented product. It attempts to control the fabrication of a mold from a competitor's product. The statute does not restrict the photographing, measuring, reverse engineering, or any other utilization of the concept or design of the original manufacturer. The sole and exclusive limitation is in the use of the product of the original manufacturer for the forming of a mold directly from that product. This is no more that the extension of previously existing power of a state to protect property of its citizens and promote fair competition to a situation that has emerged due to advances in technology that now make it advantageous to wait for new products to be introduced, become successful in the marketplace, then misappropriate the master by which the product is made and begin to reap profits where little or no effort has been sown.

In *Goldstein* and again in *Kewanee*, the Supreme Court addressed the question of the applicability of the *Sears-Compco* doctrine to preempt state regulatory powers over intellectual property. In *Goldstein*, this court held that the grant of power to Congress under Article I, Section 8, Clause 8 of the Constitution was not exclusive and that, at least in the case of writings, states were not forbidden from encouraging the efforts of those within their borders by appropriate legislation. The courts specifically upheld a California penal statute imposing criminal sanctions for " record " or " tape " piracy, rejecting the argument that the penal statute was preempted under the *Sears-Compco* cases. A year later in *Kewanee*, this Court again upheld state regulatory power over trade secrets

against a similar attack that the area was preempted by the patent laws under *Sears* and *Compco*. In so holding, this Court held:

> " Just as the state may exercise regulatory power overriding so may the states regulate with respect to discoveries. States may hold diverse viewpoints in protecting intellectual property relating to invention as they do in protecting the intellectual property relating to the subject matter of copyright. The only limitation on the states is that in regulating the area of patents and copyrights they do not conflict with the operation of the laws in this area passed by Congress. " 416 U.S. at 479.

The test applied in *Kewanee* is whether or not the state law sought to be invalidated under the supremacy clause " clashes " with the objectives of the federal law. The test involves,

> " [a] consideration of whether . . . [state] law " stands as a obstacle to the accomplishment and execution of the full purposes and objectives of Congress. " *Kewanee*, 416 U.S. at 479, quoting *Hines* v. *Davidowitz*, 312 U.S. 52 at 67 (1941).

Under the trade secret law construed in *Goldstein*, a party is prevented from competing against another by the use of the other's secret process only when the process was obtained by *unfair* means. While the effect of an injunction under the trade secret laws may be to preclude the use of an unpatented and unpatentable process, by the same token, however, trade secret law does not prevent the duplication of a product that is obtained by proper means. Trade secret laws prevent a manufacturer from unfairly competing against another by evading the ordinary expense of producing a product. They do not seek to protect the product from being copied or remove it from the public domain. Therefore, the trade secret laws do not conflict with the type of protection provided by the patent laws. Both

like the state laws at issue in *Kewanee* and *Goldstein*, the California and Florida direct molding statutes reflect a legitimate state regulatory process and do not conflict with any federal law, including the patent and copyright laws. The Florida statute merely prevents a manufacturer from unfairly competing by using another's product as a plug for the creation of his mold. In this regard, state notions of commercial ethics underlying the adoption of the statute are not substantially different from those underlying common law trade secret protection or anti-piracy decisions.

In the same regard and under the same reasoning as *Kewanee* and *Goldstein*, the Florida and California direct molding statutes do not unconstitutionally interfere with imitation or even exact copying of a manufactured item through fair means. Thus, a competitor can measure a manufactured item, prepare a wood or clay model from those measurements and use that model to produce a mold. The competitor is free to make and sell an exactly replicated product if that competitor is willing to exercise the effort and incur the expenses required to do so by lawful means. The statute now in question before this court only prevents a manufacturer from unfairly avoiding the expense of independently producing its own mold by misappropriation of the mold of an original manufacturer. Thus, the Florida direct molding statute does not conflict with, intrude upon, or seek to afford the exclusive right of protection provided for in the patent or copyright laws.

CONCLUSION

The process of direct molding must be considered an unfair method of competition because it allows a competitor to bypass the investment of the original manufacturer in creating the first unit of production and appropriate the value of the product's development. It also deprives the original manufacturer of the distinct economic advantage of being the first producer in the market place and destroys his ability to reap the rewards of business origination and creativity in the marketplace. Most importantly, the competitor, if allowed to enter the marketplace with an exact duplicate obtained by the direct molding process, will have a pricing advantage through savings on development costs that he did not earn save for the purchase price of the original manufacturer's product. This "advantage" was considered unfair by the Florida legislature which sought not to interfere with the copying of an unpatentable product but to protect the property and sanctity of the plaintiff's business organization and the integrity of its product investment against parasitic invasion.

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